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Zapatero Unveils Additional Stimulus Package

1.(U) President Zapatero, speaking before the Congress on November 27, unveiled a 10.85-billion-euro spending package to revive the economy and boost employment. 8 billion euros will go to municipal governments for new infrastructure projects to be started between mid-January and mid-April of 2009 and finished by the first quarter of 2010. This doubles the amount of municipal investment expected in 2009 and is expected to employ many of those who have lost construction jobs. The remainder will go to the struggling auto sector, environmental initiatives, research and development spending, the handicapped, and other sectors. Zapatero told the Congress that the aid package, which will amount to just over 1% of Spain's GDP, will create 300,000 jobs in 2009. The package will be financed with extraordinary borrowing during this year. According to Second Vice President and Economy/Finance Minister Solbes, these and previous anti-crisis measures will keep the public sector deficit close to 3% of GDP in 2008 and 2009. The package was approved by the Council of Ministers on November 28 and must be approved by the Congress. Zapatero also announced that he would establish within two weeks a working group with the opposition Partido Popular and other parties to seek consensus on initiatives to modernize the economy's productive capacity. (All Media, 11/28)

Difficulties Continue for Auto Industry

2.(U) 800 million euros of the stimulus package is to go to the auto industry to reduce labor costs and improve training and innovation, including the development of electric vehicles. In exchange, firms would have to agree to maintain employment. Before the announcement, Ford became the latest company to reduce hours, saying that it would temporarily idle 5,600 workers at its Almussafes, Valencia factory, not resuming production after the holidays until January 20 and closing one day every two weeks until June. Separately, the

president of Aragon region said the region intended, pending its legislature's approval, to provide a guarantee for 200 million euros in lending so that General Motors can produce a new Opel model at its Figueruelas plant. Spain's auto factories produced 25% fewer vehicles in October than in October 2007. (All Media, 11/28; El Pais, 11/26)

Inflation Falls to 2.4% in November

3.(U) Inflation fell to 2.4% (November 2008 prices compared to November 2007 prices), according to a preliminary National Statistics Institute estimate. This is a rapid drop from October's 3.6% and July's 5.3%. The drop in oil prices played a large role, but some articles cited concern that the slowdown in domestic consumption also contributed and that deflation was a possibility in 2009. Second Vice President and Finance/Economy Minister Solbes has said that inflation may fall below 1% by the middle of next year before starting to increase again. (All Media, 11/28; El Pais, 11/26)

Culture Minister Launches Anti-IPR-Piracy Campaign

4.(U) On November 25, Culture Minister Molina launched Spain's 3rd Anti-Piracy Public Awareness Campaign. Noting Spain's status as a "cultural power," the Minister stated that without strong IPR protection, Spanish cultural production would decline. Ministry officials estimated the campaign's budget at 1.95 million euros. The campaign will broadcast public-service messages, aimed largely at young people, on television, the Internet and other media, as well as in schools, with the slogan, "si eres legal, eres legal" (roughly, "if you're legal, you're all right"). (Embassy, 11/25)

Digital Content and IPR Conferences

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5.(U) On November 25-26, the GOS held its second annual International Conference on Intellectual Property in the Digital Environment. The IPR conference, part of a larger conference on digital content, brought Spanish government officials together with counterparts from other European countries and the U.S., the EC, the OECD, and other international bodies, along with a broad range of private sector representatives from the community of copyright holders and the telecommunications and internet service industries. Dr. Michael Shapiro, Attorney-Advisor at the U.S. Patent and Trademark Office (USPTO), spoke on two panels. Minister of Industry, Tourism, and Commerce Miguel Sebastian, who is responsible for telecommunications, emphasized the importance of fighting IPR piracy without discouraging the development of new technologies. The conference also marked the first public appearance of the Anti-Piracy Coalition's recently hired spokesman, Aldo Ocese, who is seeking to encourage progress in the ongoing negotiations between the Coalition (of content providers) and the internet services providers' association Redtel. (Embassy, 11/26)

Counterfeiting Ring Broken Up

6.(U) The Presidency on November 27 announced that the Revenue Agency (Agencia Tributaria) detained five people at the end of last week and seized counterfeit merchandise with an estimated value of 500 million euros in Malaga, ending a year-long investigation into an Indian/Pakistani ring. The operation is said to be the largest of its kind in European history. The merchandise, which is still being documented, may include over a million watches, as well as thousands of handbags, wallets, perfumes, movies and video games. (Presidency Press Release, 11/27)

Lukoil-Repsol Deal Faces Obstacles

17. (U) Political and economic obstacles remain to the

potential purchase by Russian oil and gas company Lukoil of 29.9% of the stock of Spanish oil and gas company Repsol YPF as reported in reftel. The current proposal is for Lukoil to take over the 5 billion euros of debt used to fund the purchase of 20% of Repsol in 2006 by the now-troubled construction company Sacyr Vallehermoso. However, the 50 banks that hold that debt are demanding more collateral from Lukoil than just the Repsol shares in question. In the face of some political opposition to the deal, Lukoil announced its agreement to the GOS condition that Repsol continue to be directed by Spaniards. If the purchase goes through, Lukoil will be able to choose four of the sixteen members of Repsol's board. Opposition PP leader Mariano Rajoy has expressed opposition to the deal. Industry, Tourism, and Commerce Minister Sebastian has toned down his public statements since President Zapatero expressed support for the deal, but some press reports suggest that he may still be seeking to prevent it. (El Confidencial, 11/28 and 11/24; El Pais, 11/26 and 11/25)

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